



GENERAL ASSEMBLY OF THE STATE OF TENNESSEE FISCAL REVIEW COMMITTEE

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Rep. Charles Curtiss, Chairman
Representatives

Curt Cobb	Donna Rowland
Curtis Johnson	David Shepard
Gerald McCormick	Curry Todd
Mary Pruitt	Eddie Yokley
Craig Fitzhugh, <i>ex officio</i>	
Speaker Jimmy Naifeh, <i>ex officio</i>	

Sen. Douglas Henry, Vice-Chairman
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Doug Jackson	Jamie Woodson
Paul Stanley	
Randy McNally, <i>ex officio</i>	
Lt. Governor Ron Ramsey, <i>ex officio</i>	

REPORT OF THE FISCAL REVIEW COMMITTEE TO THE GENERAL ASSEMBLY FOR THE QUARTER ENDED DECEMBER 31, 2008

JANUARY 5, 2009

This quarterly report of the activities of the Fiscal Review Committee during the fourth quarter of calendar year 2008 is submitted pursuant to Tenn. Code Ann. § 3-7-105.

Incarceration Costs and Fine Revenue in Fiscal Notes

Pursuant to Senate Joint Resolution 1165 (2008), the Fiscal Review Committee undertook and completed a comprehensive review of the methodology used for calculating incarceration costs and estimates of fine revenue used in fiscal notes. This review, the first since the statutory requirements for accounting for incarceration costs were enacted in the Sentencing Act of 1985, resulted in significant changes in the manner in which incarceration costs and estimates of fine revenue are calculated.

Major changes include incorporating a recidivism discount in bills extending the length of felony sentences to account for repeat offenders under current law and utilization of actual time served data for each class of felony, rather than the arbitrary bottom-range assumption that had been utilized in the past. Based on a survey of county clerks and analysis of data provided in response to the survey, the estimate of fine revenue will be adjusted for traffic

offenses. In 2008, an estimate collection rate of 75 percent was used for traffic offenses. Actual collection rates are approximately 80 percent. The 80 percent collection rate will be used in fiscal notes beginning with the 2009 session.

A report detailing these changes and the rationale for them has been distributed to each member of the General Assembly and has been posted on the Fiscal Review Committee's web page under the Reports tab.

Impact of Economic Crisis on State and Local Governments

The Committee held two days of hearings on the impact of the economic crisis on state and local governments. State revenue collections have fallen precipitously as a result of the recession, and local governments are being affected as well. If these trends continue, the ability of state and local governments to deliver important services will be substantially affected. The Committee will continue to monitor this situation closely to advise the General Assembly on any significant developments.

On December 3, 2008, the Committee staff provided revenue estimates to the State Funding Board. The estimates covered both FY 2008-09 and FY 2009-10. The estimates projected that state revenue collections in FY2008-09 would be approximately \$949 million less than the budgeted estimate for the general fund and approximately \$1.046 billion less than the budgeted estimate for all funds. For FY 2009-10, the staff projected slight growth over an extremely low base of collections in FY2008-09, with revenue collections still approximately \$550 million less than the amount actually collected in FY2007-08.

Risk Assessments and Audit Reviews

As part of its ongoing audit review responsibilities pursuant to Tenn. Code Ann. 3-7-113, the Committee conducted a public hearing on the risk assessment practices of institutions of the Tennessee Board of Regents. The Committee heard detailed testimony about the strategy and procedures for completing and updating risk assessments.

The Committee also conducted a public hearing on repeat audit findings of the Department of Environment and Conservation. The Committee was concerned about multiple repeat findings that have occurred over a period of several years. The Division of State Audit in the Office of the Comptroller testified concerning these findings. The Department testified concerning corrective actions planned and taken. The Committee will continue to monitor

the Department's financial management practices to ensure that the State's fiscal position is not jeopardized.

Staff Seminars for Departments and Agencies

The Committee staff conducted two seminars for executive departments and agencies to improve compliance with Committee policies and procedures. The staff conducted a seminar on the Contract Services Subcommittee's procedures for review of non-competitive contracts. The staff also conducted a seminar on the process for providing information to the staff to be used in preparation of fiscal notes.

Respectfully submitted,

A handwritten signature in cursive script, reading "Charles Curtiss", is positioned above a horizontal line.

Representative Charles Curtiss, Chairman
Fiscal Review Committee